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EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
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FISCAL YEAR 2022 FOURTH QUARTER FINANCIAL REVIEW

FOURTH QUARTER RESULTS

Fiscal Year 2022's (FY22) fourth quarter saw a year-over-year increase of \$2,405 million in base general funds revenues due to strong receipts from individual and corporate income taxes. Fourth quarter expenditures increased by \$3,214 million compared to FY21 fourth quarter expenditures.

Detailed fourth quarter and year-to-date information is presented on the following pages.

FOURTH QUARTER REPORT HIGHLIGHT: CORPORATE INCOME TAXES

First enacted in 1969, corporate income taxes (CIT) are imposed at a rate of 7% on the taxable income of corporations, associations, joint-stock companies, and co-operatives. Small business corporations (S corporations) that file as an S corporation to the IRS do not pay CIT. Several tax credits, interest income, exempt dividends, depreciation deductions for certain capital outlays for tangible property, and qualified charitable contributions can be subtracted from a corporation entities adjusted gross income depending on the currently enacted state and federal tax law. Once paid to the state, gross CIT receipts are distributed as follows: an initial percentage, set by statute each year through formula or by specifically naming a rate in statute, to the Income Tax Refund Fund to pay taxpayer refunds (15% in FY22 and 14.5% in FY23); of the remainder, 6.85% to the Local Government Distributive Fund; and the remaining amounts are deposited to the general funds (7.3% to the Education Assistance Fund and the rest to the General Revenue Fund).

ILLINOIS ECONOMIC INDICATORS

Job growth in Illinois has slowed over the summer months as the statewide unemployment rate inches closer to its lowest point since the onset of the pandemic. Consumer sales for goods have increased, though that largely reflects higher prices, rather than increasing buying activity, since sales figures are not inflation adjusted.

Prices in the Chicago-Naperville-Elgin area, as measured by the Consumer Price Index for all Urban Consumers (CPI-U), increased 1.7% in June according to the U.S. Bureau of Labor Statistics. CPI-U is a measure that examines the weighted average of a basket of consumer goods and services for urban consumers. Changes in the CPI-U are used to assess the cost of living in highly populated areas. Food prices increased 1.2%, while the energy index rose 13.6% over the month largely due to gasoline prices. Over the last twelve months, CPI-U for the Chicago region rose 9.4%. CPI-U for all items less food and energy increased 0.4% in June and 5.0% over the year.

Inflation is not just squeezing the consumer. Many key sectors are feeling the impact of elevated prices. Construction, health care and the restaurant industries are all dealing with greater financial pressures for key materials and labor. The inflation outlook, along with the steps being taken by the Federal Reserve to cool the economy, have increased the probability of a recession. A case of a steep economic downturn could mean layoffs, fewer jobs and higher interest rates.

GENERAL FUNDS OVERVIEW

GENERAL FUNDS CASH FLOW Fourth Quarter and Year-to-Date Review

(\$ in millions)

	Fourth Quarter		Year-to-date	
	FY21 Actual	FY22 Actual	FY21 Actual	FY22 Actual
Beginning Backlog at Comptroller	\$ (4,731)	\$ (2,581)	\$ (4,856)	\$ (2,204)
Beginning Cash Balance	\$ 697	\$ 1,168	\$ 531	\$ 975
Revenues				
Individual Income Tax	\$ 7,041	\$ 8,382	\$ 22,525	\$ 24,839
Corporate Income Tax	1,672	2,545	3,563	5,407
Sales Tax	2,622	2,661	9,368	10,234
Other Sources/Transfers In	1,101	1,327	4,652	5,271
State Source Revenues	\$ 12,436	\$ 14,915	\$ 40,108	\$ 45,750
Federal Sources	970	1,032	4,744	4,583
Short Term Borrowing/Municipal Liquidity Facility	0	0	1,998	0
Investment Borrowing	0	0	400	0
ARPA Reimbursement for Government Services	0	298	0	737
Total Revenues	\$ 13,406	\$ 16,244	\$ 47,250	\$ 51,070
Expenditures				
Current Year Vouchers	\$ 8,441	\$ 11,510	\$ 37,460	\$ 41,529
Prior Year Vouchers	0	0	1,545	1,917
Subtotal, Vouchers Presented	\$ 8,441	\$ 11,510	\$ 39,005	\$ 43,446
Posted Transfers Out	150	36	516	395
Transfer to GO Bond Debt Service Fund	94	469	1,529	1,230
Transfer to Repay Interfund Borrowing	123	0	140	932
Transfers to fund tax relief programs	0	1,480	0	1,480
Transfers to cash-fund capital projects	0	328	0	328
Investment Borrowing Repayments	402	0	804	0
Short Term Borrowing Repayments	1,404	0	2,209	1,052
Prior Year Adjustments	(13)	(8)	(50)	(37)
Total Expenditures	\$ 10,602	\$ 13,816	\$ 44,154	\$ 48,825
End of Quarter Cash Balance	\$ 975	\$ 2,063	\$ 975	\$ 2,063
End of Quarter Backlog at Comptroller	\$ (2,204)	\$ (1,048)	\$ (2,204)	\$ (1,048)

Source: Illinois Office of the Comptroller

Note: Backlog figures do not include bills held at agencies. For information on bills held at agencies please refer to the Backlog Report at budget.illinois.gov or the Office of the Comptroller's Debt Transparency Report.

GENERAL FUNDS CASH FLOW Comparison: Projected versus Actual

(\$ in millions)

	Fourth Quarter	
	Projected	Actual
Cash Balance, Beginning	\$ 594	\$ 1,168
Receipts	\$ 14,363	\$ 16,244
IIT	6,260	8,382
CIT	1,995	2,545
Sales	2,627	2,661
Other Sources	945	883
Transfers In	426	444
Interfund Borrowing	-	-
Investment Borrowing	-	-
Federal Sources	1,049	1,032
ARPA Reimbursement	1,061	298
Certificate Proceeds	-	-
Cash Expenditures	(14,426)	(16,100)
Short-Term Borrowing Repayment	-	-
Cash Balance - Budget Stabilization Fund	\$ 750	\$ 751
Cash Balance - All other General Funds	\$ 531	\$ 1,312

GENERAL FUNDS REVENUES SUMMARY

GENERAL FUNDS REVENUES Fourth Quarter and Year-to-Date Review

(\$ in millions)

	Fourth Quarter		Change: FY21 Actual to FY22 Actual		Year-to-Date		Change: FY21 Actual to FY22 Actual	
	FY21 Actual	FY22 Actual	Dollar Change	Percent Change	FY21 Actual	FY22 Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 8,237	\$ 9,833	\$ 1,596	19.4%	\$ 26,350	\$ 29,137	\$ 2,787	10.6%
Income Tax Refund Fund	(742)	(910)	(168)	22.7%	(2,372)	(2,696)	(10)	0.4%
Local Government Distributive Fund Deposit	(454)	(541)	(86)	19.0%	(1,453)	(1,602)	(24)	1.7%
Net Individual Income Tax	\$ 7,041	\$ 8,382	\$ 1,341	19.0%	\$ 22,525	\$ 24,839	\$ 2,314	10.3%
Gross Corporate Income	\$ 2,089	\$ 3,215	\$ 1,126	53.9%	\$ 4,451	\$ 6,831	\$ 2,380	53.5%
Income Tax Refund Fund	(294)	(483)	(189)	64.3%	(625)	(1,026)	(401)	64.0%
Local Government Distributive Fund Deposit	(123)	(187)	(64)	52.0%	(262)	(398)	(135)	51.6%
Net Corporate Income Tax	\$ 1,672	\$ 2,545	\$ 873	52.2%	\$ 3,563	\$ 5,407	\$ 1,844	51.8%
Gross Sales Tax	\$ 2,776	\$ 2,837	\$ 61	2.2%	\$ 9,799	\$ 10,852	\$ 1,053	10.7%
Downstate Public Trans/Public Trans Deposits	(154)	(176)	(22)	14.2%	(430)	(618)	(188)	43.7%
Net Sales Tax	2,622	2,661	39	1.5%	9,368	10,234	866	9.2%
Public Utility	175	185	10	5.7%	752	750	(2)	(0.3%)
Cigarette	75	63	(12)	(16.0%)	281	254	(27)	(9.6%)
Inheritance	71	170	99	139.4%	450	603	153	34.0%
Liquor	44	44	0	0.0%	177	183	6	3.4%
Insurance	133	150	17	12.8%	480	455	(25)	(5.2%)
Corporate Franchise	65	53	(12)	(18.5%)	322	216	(106)	(32.9%)
Investment Income	10	19	9	90.0%	57	30	(27)	(47.4%)
Cook County IGT	0	0	0	0.0%	244	244	0	0.0%
Other	158	199	41	25.9%	339	443	104	30.7%
TOTAL STATE REVENUES	\$ 12,066	\$ 14,471	\$ 2,405	19.9%	\$ 38,558	\$ 43,658	\$ 5,100	13.2%
Federal Revenues	\$ 970	\$ 1,032	\$ 62	6.4%	\$ 4,744	\$ 4,583	\$ (161)	(3.4%)
Transfers In	\$ 370	\$ 444	\$ 74	20.0%	\$ 1,550	\$ 2,092	\$ 542	35.0%
Lottery	221	230	9	4.1%	777	820	43	5.5%
Gaming/Gaming Taxes	0	28	28	0.0%	0	140	140	100.0%
Adult-Use Cannabis	26	31	5	19.2%	71	115	44	62.0%
Other	123	155	32	26.0%	702	1,017	315	44.9%
SUBTOTAL REVENUES	\$ 13,406	\$ 15,947	\$ 2,541	19.0%	\$ 44,852	\$ 50,333	\$ 5,481	12.2%
Investment Borrowing	0	0	0	0.0%	400	0	(400)	(100.0%)
Municipal Liquidity Facility	0	0	0	0.0%	1,998	0	(1,998)	(100.0%)
ARPA Reimbursement for Government Services	0	298	298	100.0%	0	737	737	100.0%
TOTAL REVENUES	\$ 13,406	\$ 16,244	\$ 2,838	21.2%	\$ 47,250	\$ 51,070	\$ 3,820	8.1%

Source: Illinois Office of the Comptroller

Fiscal Year 2021 Gross Individual Income Tax includes \$3.3 million and Gross Corporate Income Tax includes \$11 million in amnesty payments.

Income Taxes: FY22 year-to-date (YTD) Individual Income Tax net receipts increased by \$2,314 million, or 10.3% from FY21 due to strong receipts from estimated payments. FY22 YTD Corporate Income Tax (CIT) net receipts increased by \$1,844 million, or 51.8%, from the FY21 level due to strong corporate profits and changes to corporate income tax breaks. \$2,000 million of income taxes were directly deposited into the Local Government Distributive Fund through the fourth quarter of FY22.

Sales Taxes: FY22 YTD Sales Tax net receipts increased by \$866 million, or 9.2%, from the FY21 YTD level.

Federal Revenues: FY22 YTD base Federal Revenues decreased by \$161 million, or 3.4%, compared to the FY21 YTD level due to federal matches on reimbursable spending.

Transfers In: FY22 YTD Transfers In increased by \$542 million, or 35%, compared to the FY21 YTD level. This increase is due in part to \$140 million in transfers from the State Gaming Fund, up from \$0 through the fourth quarter of FY21 and \$820 million from the State Lottery Fund, up \$43 million, or 5.5% from the FY21 YTD level.

GENERAL FUNDS REVENUES BUDGETED VERSUS ACTUALS SUMMARY

The table below sets forth General Funds year-to-date budgeted revenues versus year-to-date actual revenues for FY22. Total State Revenues (not including Transfers In) were \$2,643 million, or 6.4%, above the April 2022 budgeted level. Federal revenues were \$16 million, or 0.3%, below the April 2022 budgeted level.

GENERAL FUNDS REVENUES				
Year-to-Date Budgeted versus Actual				
	(\$ in millions)			
	FY22 YTD Budgeted*	FY22 YTD Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 26,647	\$ 29,137	\$ 2,490	9.3%
Income Tax Refund Fund	(2,465)	\$ (2,696)	(231)	9.4%
Local Government Distributive Fund Deposit	(1,465)	\$ (1,602)	(137)	9.4%
Net Individual Income Tax	\$ 22,717	\$ 24,839	\$ 2,122	9.3%
Gross Corporate Income	\$ 6,135	\$ 6,831	\$ 696	11.3%
Income Tax Refund Fund	(920)	(1,026)	(106)	11.5%
Local Government Distributive Fund Deposit	(357)	(398)	(41)	11.4%
Net Corporate Income Tax	\$ 4,858	\$ 5,407	\$ 549	11.3%
Gross Sales Tax	\$ 10,799	\$ 10,852	\$ 53	0.5%
Downstate Public Trans/Public Trans Deposits	(599)	(618)	(19)	3.1%
Net Sales Tax	\$ 10,200	\$ 10,234	\$ 34	0.3%
Public Utility	743	750	7	0.9%
Cigarette	260	254	(6)	(2.3%)
Inheritance	535	603	68	12.7%
Liquor	182	183	1	0.5%
Insurance	438	455	17	3.9%
Corporate Franchise	240	216	(24)	(10.0%)
Investment Income	20	30	10	50.0%
Cook County IGT	244	244	0	0.0%
Other	578	443	(135)	(23.4%)
TOTAL STATE REVENUES	\$ 41,015	\$ 43,658	\$ 2,643	6.4%
Federal Revenues	\$ 4,599	\$ 4,583	\$ (16)	(0.3%)
Transfers In	\$ 2,075	\$ 2,092	\$ 17	0.8%
Lottery	820	820	0	0.0%
Gaming/Gaming Taxes	139	140	1	0.7%
Adult-Use Cannabis	109	115	6	5.5%
Other	1,007	1,017	10	1.0%
SUBTOTAL REVENUES	\$ 47,688	\$ 50,333	\$ 2,645	5.5%
Investment Borrowing	0	0	0	0.0%
Short Term Borrowing	0	0	0	0.0%
ARPA Reimbursement for Government Services	1,500	737	(763)	(50.9%)
TOTAL REVENUES	\$ 49,188	\$ 51,070	\$ 1,882	3.8%

Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget

*Budgeted figures are based on historical averages as well as information from the Department of Revenue on timing of income tax deposits. Estimates were compiled in April 2022.

Income Taxes: Individual Income Tax net receipts through the fourth quarter were \$2,122 million, or 9.3%, higher than budgeted levels. Corporate Income Tax net receipts through the fourth quarter were \$549 million, or 11.3%, higher than the budgeted levels.

Sales Taxes: Sales Tax net receipts through the fourth quarter were \$34 million, or 0.3%, higher than the budgeted levels.

Transfers In: Transfers In through the fourth quarter were \$17 million, or 0.8%, higher than budgeted levels.

OUTLOOK FOR FUTURE GENERAL FUNDS REVENUES

The table below sets forth the future outlook for General Funds revenues for FY22. The table below reflects anticipated revenues to be received compared against year-to-date collections.

PROJECTED GENERAL FUNDS REVENUES			
Year-to-Date Actuals versus Annual Forecast			
(\$ in millions)			
	FY22 YTD Actual	FY22 Annual Forecast*	Remainder of Forecast*
Receipts	\$ 50,333	\$ 47,688	\$ (2,645)
IIT	24,839	22,717	(2,122)
CIT	5,407	4,858	(549)
Sales	10,234	10,200	(34)
Other Sources	3,178	3,240	62
Transfers In	2,092	2,074	(18)
Federal Sources	4,583	4,599	16
Total Base Revenues	50,333	47,688	(2,645)

Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget

*Fiscal year 2022 forecast was updated in April 2022 using historical averages, national and regional economic activity data, and tax-related information provided by the Department of Revenue.

Through the fourth quarter of FY22, total State General Funds revenues have performed well against the revised April 2022 annual revenue forecast. The previous revenue estimate (February 2022 annual revenue forecast of \$46.293 billion) was revised upwards to \$47.688 billion due to strength in key fundamentals. Year-to-date, the top three sources of General Funds revenues (Individual and Corporate Income Taxes and Sales Tax), which account for 76% of total revenues, have continued to perform well against forecasted amounts.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY21 and FY22 fourth quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the fourth quarter of FY22 totaled \$11,510 million, an increase of \$3,069 million, or 36.4%, from the FY21 level.

GENERAL FUNDS EXPENDITURES				
Fourth Quarter and Year-to-Date Review				
(\$ in millions)				
Agency	Fourth Quarter		Year-to-Date	
	FY21 Actual Spending	FY22 Actual Spending	FY21 Actual Spending	FY22 Actual Spending
Constitutional Officers ¹	\$ 93	\$ 392	\$ 337	\$ 647
DHFS	1,480	1,914	6,978	7,745
ISBE	2,342	2,565	8,728	9,135
DHS	903	1,101	3,845	4,022
Higher Education	170	477	1,885	2,238
SERS	382	501	1,605	1,721
TRS	1,362	1,532	5,277	5,838
SURS	236	255	1,785	1,888
Corrections	315	356	1,348	1,359
CMS	293	1,203	2,059	2,828
DCFS	194	250	926	1,008
Aging	277	294	942	1,005
ISP	67	79	261	276
Revenue	11	12	44	46
DPH	37	40	116	128
DNR	9	61	39	91
DCEO	4	81	14	93
All Others	266	398	1,269	1,463
Agency Totals	\$ 8,441	\$ 11,510	\$ 37,460	\$ 41,529

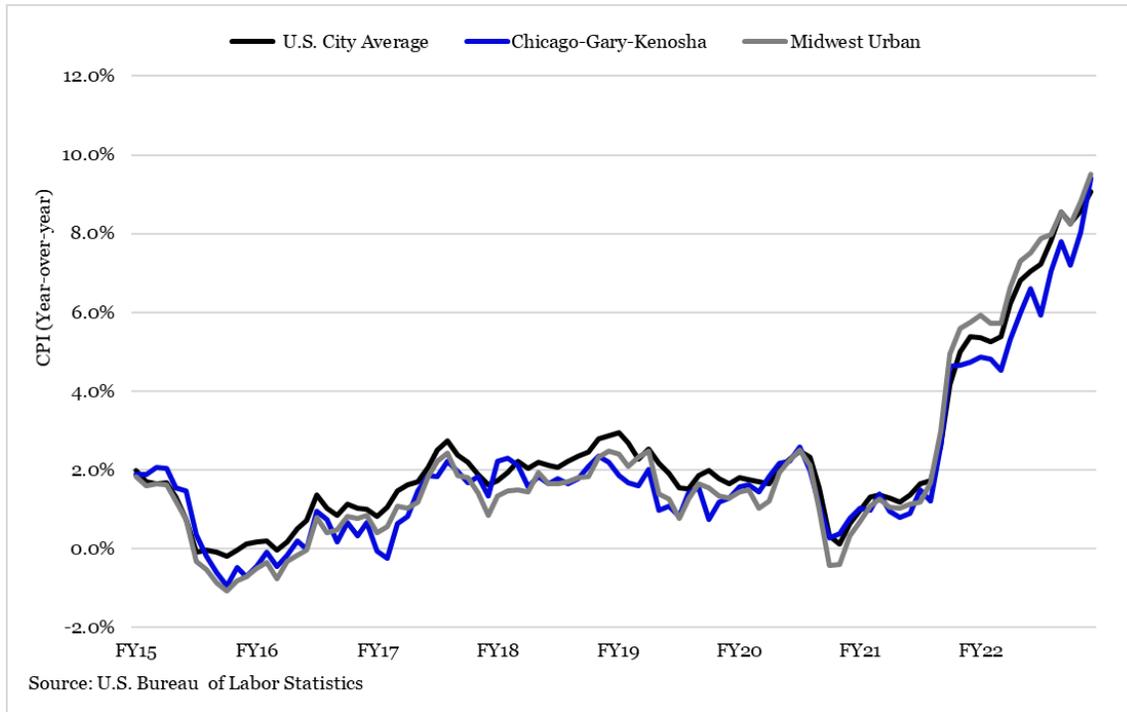
Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

Note: Lapse period spending is not included in this table.

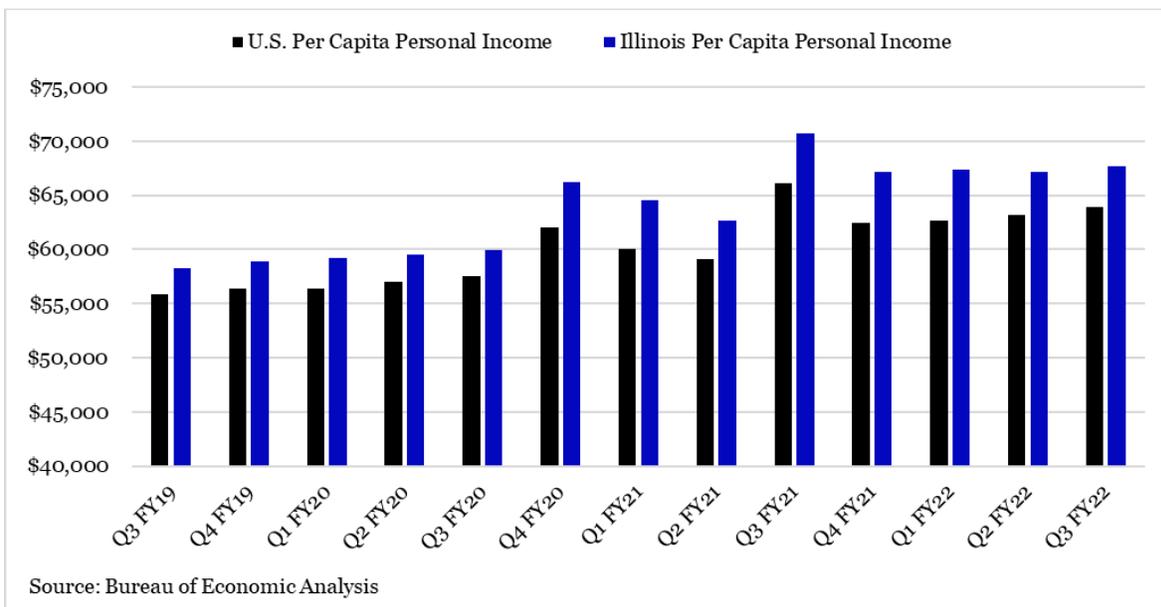
¹ Constitutional Officers exclude Auditor General.

KEY ECONOMIC INDICATORS

The graph below shows the year-over-year increase in the Consumer Price Index (CPI) for All Urban Consumers, all items, in the U.S., Chicago metropolitan area, and Midwest from July FY15 to June FY22. In June FY22, the U.S. city average CPI increased 9.1% year-over-year. The CPI for Chicago metropolitan area increased 9.4% and the CPI for Midwest region increased 9.5%.



The graph below compares the per capita personal income between the U.S. and Illinois from the third quarter of FY19 to the third quarter of FY22. The U.S. per capita personal income increased \$712 or 1.1% from \$63,172 in the second quarter of FY22 to \$63,884 in the third quarter of FY22. Year-over-year, U.S. per capita personal income decreased \$2,179 or 3.3%. In Illinois, per capita personal income increased by \$475 or 0.7% from \$67,152 in the second quarter of FY22 to \$67,627 in the third quarter of FY22. Year-over-year, Illinois per capita personal income decreased \$3,112 or 5.0%. The year-over-year drops are related to federal stimulus payments in 2021.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in June of FY22 was 3.6%, down from 5.9% during the same period last fiscal year. Illinois' unemployment rate of 4.5% in June of FY22 reflected a decrease of 2.7 percentage points from the state's unemployment rate of 7.2% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois increased by 251,900 year-over-year in June, led by increases in Professional & Business Services, Leisure & Hospitality, Construction and Educational & Health Services.

EMPLOYMENT HIGHLIGHTS State and National Review

EMPLOYMENT STATISTICS	<u>April FY21</u>	<u>April FY22</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,760,000	5,985,800	225,800
Unemployment Rate, Illinois	6.4%	4.6%	(1.8)
Unemployment Rate, United States	6.0%	3.6%	(2.4)
Labor Force Participation Rate, Illinois	62.4%	63.9%	1.5
Labor Force Participation Rate, United States	61.7%	62.2%	0.5
EMPLOYMENT STATISTICS	<u>May FY21</u>	<u>May FY22</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,794,000	6,038,200	244,200
Unemployment Rate, Illinois	6.1%	4.6%	(1.5)
Unemployment Rate, United States	5.8%	3.6%	(2.2)
Labor Force Participation Rate, Illinois	62.4%	64.1%	1.7
Labor Force Participation Rate, United States	61.6%	62.3%	0.7
EMPLOYMENT STATISTICS	<u>June FY21</u>	<u>June FY22</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,839,900	6,091,800	251,900
Unemployment Rate, Illinois	7.2%	4.5%	(2.7)
Unemployment Rate, United States	5.9%	3.6%	(2.3)
Labor Force Participation Rate, Illinois	63.7%	64.9%	1.2
Labor Force Participation Rate, United States	61.6%	62.2%	0.6

Source: Illinois Department of Employment Security and United States Department of Labor.

ILLINOIS REAL ESTATE

Prices rise and available homes sell quickly in Illinois, as the demand for homes stays high. The time it took to sell a home in May averaged 24 days, down from 33 days last year. Available inventory totaled 16,194 homes for sale. The statewide median price was up 6.2% from last year.

BALANCED BUDGET AND FISCAL NOTES

The table below lists the fiscal year 2022 balanced budget and fiscal notes prepared and filed pursuant to Public Act 87-688 otherwise known as the Balanced Budget Note Act. Balanced budget and fiscal notes may be requested on any supplemental appropriation bill or on any amendment to a supplemental appropriation bill.

Fiscal Year 2022 Report on Balanced Budget and Fiscal Notes	
102nd General Assembly Fall 2021 Balanced Budget Notes	
Bill	Description
SB0828-HAM 3	Felon Voting Rights
SB0828-HAM 4	Felon Voting Rights
SB1169-HAM 2	Health Care Right of Conscience Act - COVID-19
SB1169-HAM 3	Health Care Right of Conscience Act - COVID-19
HB2791-SAM 2	Reimagine Public Safety Act
102nd General Assembly Spring 2022 Balanced Budget Notes	
Bill	Description
SB0928-HAM 2	Government-Tech
SB0928-HAM 3	Government-Tech
HB4356	Carpet Stewardship Act
HB4139-HAM 1	Higher Education Student Assistance Act
HB4265-HAM 2	Higher Education
HB4358-HAM 3	Lake Michigan CCR
HB5412-HAM 2	Illinois Wage Payment and Collection Act
HB5412-HAM 3	Illinois Wage Payment and Collection Act
SB3037-HAM 2	Language change for recognition of water needs
SB3908-SAM 2	Change structure of NRAB at DNR
HB1463-HAM 1	Network Adequacy and Transparency Act
102nd General Assembly Spring 2022 Fiscal Notes	
Bill	Description
HB4356-HAM 1	Carpet Stewardship Act